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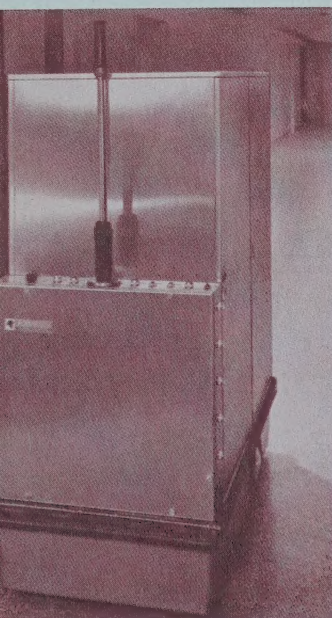
Sub

American Sterilizer Company

1967 ANNUAL REPORT



AMSCO



Highlights of 1967

	1967	1966	% Change Increase (Decrease)
Net Sales	\$42,652,220	\$38,291,367	11.4
Income Before Income Taxes	\$ 5,493,212	\$ 4,963,867	10.7
Income Before Extraordinary Items	\$ 2,732,434	\$ 2,536,262	7.7
Extraordinary Items, Net of Taxes	—	\$ 142,000	—
Net Income	\$ 2,732,434	\$ 2,678,262	2.0
Earnings Per Share			
Income before extraordinary items	\$ 1.90	\$ 1.78	6.7
Extraordinary items, net of taxes	—	.10	—
Net Income	\$ 1.90	\$ 1.88	1.1
Backlog	\$30,437,490	\$23,965,453	27.0
Capital Expenditures	\$ 1,115,022	\$ 1,248,961	(10.7)

AMERICAN STERILIZER COMPANY

CORPORATE OFFICES:

2424 West 23rd Street, Erie, Pennsylvania 16512.

STOCK LISTING:

New York Stock Exchange. Symbol: ASZ.

TRANSFER AGENTS:

Security-Peoples Trust Company,
801 State Street, Erie, Pennsylvania.

Morgan Guaranty Trust Company of New York,
30 West Broadway, New York, New York.

REGISTRARS:

The First National Bank of Erie,
1005 State Street, Erie, Pennsylvania.

First National City Bank,
399 Park Avenue, New York, New York.

The Annual Meeting of Shareholders will be held in Erie, Pennsylvania, on May 1, 1968. Official notice and other information regarding this meeting will be mailed shortly.

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To Our Shareholders:



Our sales and earnings again reached record levels in 1967. Net sales were \$42.65 million, up 11 per cent from 1966, and net operating income increased eight per cent to \$2.73 million.

Growth in net operating earnings per share is significant to us, for we believe it is the true measure of corporate growth. Our compound growth rate for the past five years is 20 per cent — and we fully expect a continuation of this trend in the future. The markets we serve are very lively ones, and our field of extended interest offers great promise for the future.

To take best advantage of our opportunities, we restructured the organization of the Company during 1967 into autonomous product-market growth centers at the operating level, guided and supported by a small, competent headquarters group. This extensive reorganization has been completed and all major positions staffed.

We are continuing to prepare for growth by asking the Shareholders to provide an authorized total of 500,000 preferred shares to be available when needed for acquisition purposes. In addition, we are recommending a 2-for-1 split of the common stock together with an increase in the number of authorized shares of common stock to 7,500,000 shares.

Although our 1967 earnings were adversely affected by heavy start-up costs in our Wascon subsidiary, we expect that action underway will correct this situation. The thrust of our product-

market growth centers is already showing great potential, and our year-end backlog is at a record \$30.4 million—27 per cent above the previous high posted at the end of 1966. While we foresee light shipments during the first quarter of 1968 because of delays in

requested delivery dates — a situation we also experienced in early 1967 — we look forward to increased sales and profits for 1968 as a whole.

Our sincere appreciation to shareholders, employees, customers and suppliers! We trust that all who have a stake in our growth will continue to cooperate to make 1968 a most successful year.

A stylized, handwritten signature of V. F. Lechner in dark ink.

V. F. Lechner
President

February 28, 1968

1967 In Review

SALES, EARNINGS REACH NEW HIGHS

The Company set new sales and earnings records in 1967. Net sales for the year ended December 31, 1967, were \$42,652,220, up 11 per cent from 1966. Net income rose 8 per cent to \$2,732,434, equal to \$1.90 per share net operating earnings on 1,439,157 average shares outstanding during the year. The figures include sales and earnings on a pooling of interests basis for G. K. Turner Associates and Champion Dish Washing Machine Company, both of which began operation as AMSCO subsidiaries in 1967.

In comparison, 1966 net sales restated were \$38,291,367 and net income before special items was \$2,536,262, equal to \$1.78 per share net operating earnings on 1,425,731 average shares outstanding during the year. These earnings are exclusive of \$142,000 extraordinary

income (10 cents per share) which was included in the 1966 reported earnings of \$2,678,262, or \$1.88 per share.

Earnings during 1967 were the highest ever despite the adverse effect of extraordinary start-up and development expenses incurred by Wascon Systems, Inc., in which American Sterilizer acquired controlling interest in 1966.

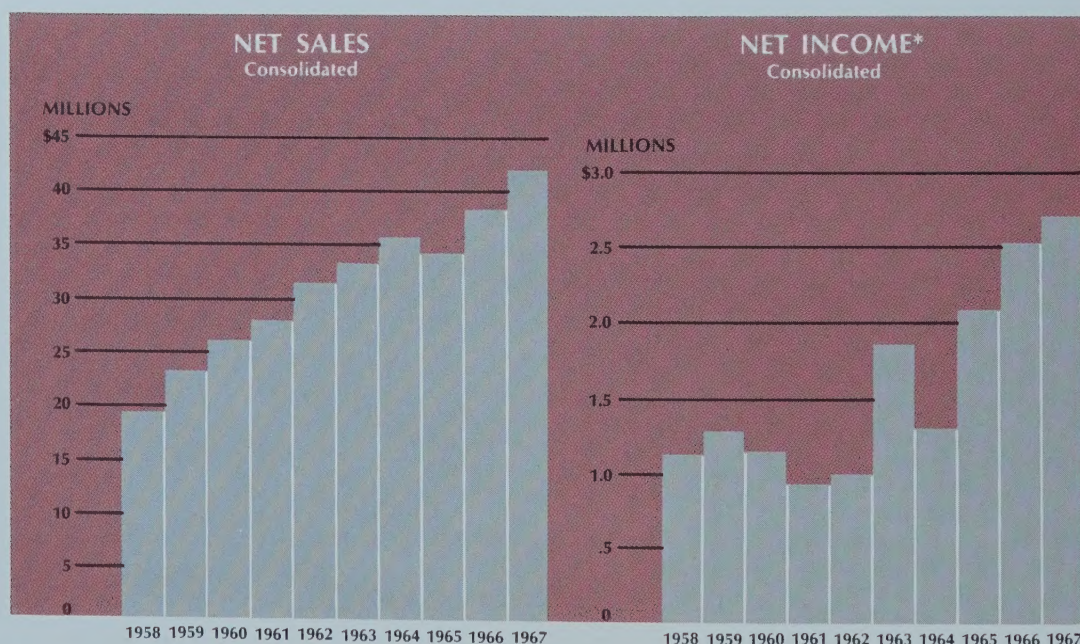
DIVIDENDS PAID FOR 53RD CONSECUTIVE YEAR

Cash dividends paid in 1967 continued the uninterrupted record of dividends in every year since 1914. The annual dividend has increased each year for the past 11 years, and the 1967 payment of 80 cents was more than three times what it was a decade ago. Total disbursements for the year were \$1,133,958.

ACQUISITIONS

In March, 1967, the Company issued 44,000 shares of common stock in exchange for all outstanding stock of G. K. Turner Associates. There are 44,000 additional shares reserved in connection with the Reorganization Agreement which may become issuable based on future earnings. In April, the Company issued 55,550 shares of its common stock in exchange for all the outstanding stock of Champion Dish Washing Machine Company. Upon the exchange of the authorized but previously unissued stock, both began operations as wholly owned subsidiaries.

During the year, American Sterilizer entered into negotiations with Narco Scientific Industries, Inc., Fort Washington, Pennsylvania, for the purpose of consolidating into a new corporation. After a considerable period of discussion and investigation, the Boards of Directors



*Excludes extraordinary credits

of AMSCO and Narco could not reach agreement on a detailed plan of consolidation, and the proposed merger program was abandoned.

CAPITAL EXPENDITURES

During 1967, the Company for \$75,000 purchased a building located adjacent to its main offices and plant for use in conducting education, training and market seminar programs. The Company erected an \$83,000-addition to its plant in Jamestown, New York, to provide additional space for product development and manufacturing. The Company also exercised its option to purchase the building that houses Champion Dish Washing Machine Company, Winston-Salem, North Carolina. For accounting purposes, the \$369,000 expenditure has been treated as though the building had been acquired in 1962.

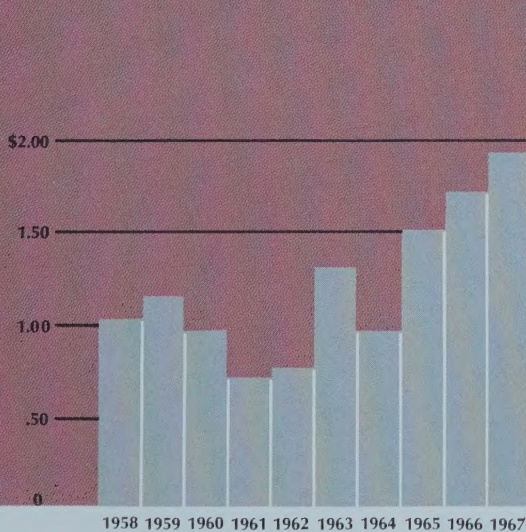
Expenditures for major equipment and machinery totaled approximately \$386,000 and involved the purchase of numerically controlled and other automatic production machinery, and a waste control system for the Erie plant. It also included the purchase of a new-high-frequency power supply for the foundry located in the Erie plant.

CORPORATE STRUCTURE

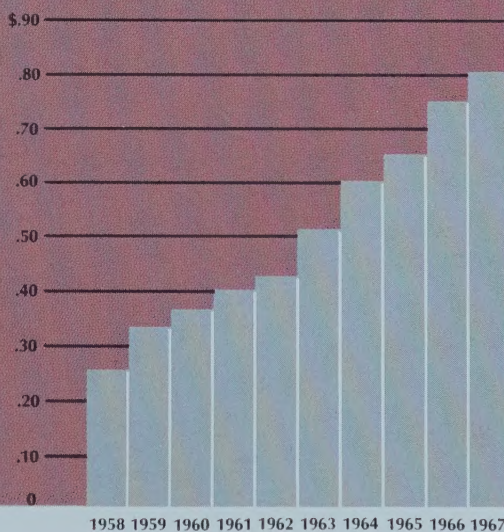
In July of 1967, the first of five autonomous product-market growth centers was organized as the AMSCO Systems Company, staffed from the personnel in the parent company's operation and provided with separate facilities in Erie, Pennsylvania. In all, five operating units were formed in the same fashion: AMSCO Systems Company, AMSCO Industrial Company, AMSCO Service Company, AMSCO Hospital Division, and AMSCO International Company. These together with already existing subsidiaries make up a total of ten operating companies, each established to serve as a nucleus for growth both internally and through acquisition.

In addition to the ten operating divisions and subsidiaries, the corporate staff was reorganized into a small, efficient unit to finance and control the operating units and to plan and carry out the growth mission of the Company as a whole.

EARNINGS PER SHARE*
Consolidated



CASH DIVIDENDS PER SHARE



*Excludes extraordinary credits

OPERATIONS RESTRUCTURED TO REALIZE MARKET POTENTIAL

Markets for American Sterilizer products and services continue to show a changing face, as the chart below indicates. This does not mean a slackening in traditional markets: sales to hospitals and related institutions continue to grow at a strong rate. At the same time, the Company has broadened its base in serving research centers, industrial processors, educational institutions, commercial establishments, the government, and other markets that offer present sales and potential for growth.

The Company restructured its operations in 1967 to capitalize on the opportunities in its diversified markets, and to utilize its depth and variety of resources to the fullest extent. The result: ten autonomous operating units formed according to the market groups they serve or the specialized functions they perform.

Each operating unit has its own management and its own self-sufficient staff, supported as required by services available from the parent company. Each unit has responsibility to take full advantage of the opportunities within its sphere of interests. And each serves as the core for further profitable growth — through internal development and the acquisition of companies with related markets and complementary products.

AMSCO HOSPITAL DIVISION

The AMSCO Hospital Division is the largest operating unit of the Company, with responsibility for products that accounted for more than one-half total 1967 sales. It was formed as an autonomous division in September, 1967, to manufacture and market an extremely broad variety of technical products for hospitals and related health institutions.

More than 7,000 hospitals in the United States

are users of AMSCO products, which include sterilizers, surgical tables, surgical lights, water stills and other water processing equipment, washing equipment, sonic energy cleaning systems, special nursing service units, casework and related items. AMSCO is recognized as the world's largest designer and manufacturer of sterilizers, operating tables and surgical lights.

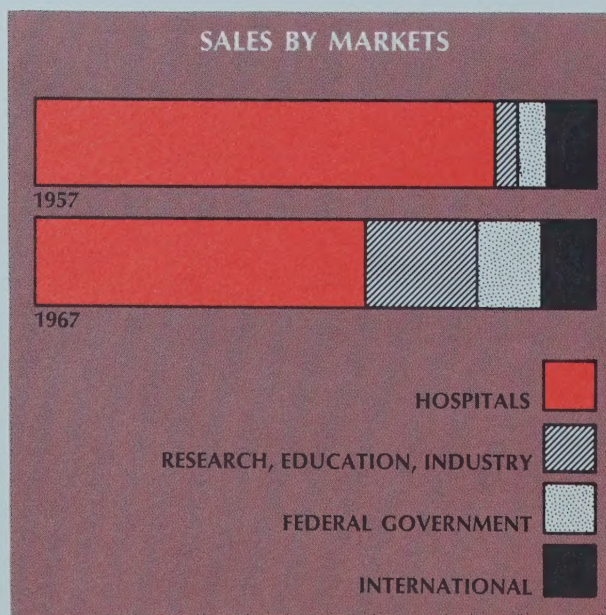
The Hospital Division is headquartered at the main Erie plant, a wholly-owned facility located on 42 acres of land. The 389,000-square-foot complex is divided into 43,000 square feet for offices, 29,000 square feet for research, development and engineering, and 317,000 square feet for production.

Employment at the main Erie facility is more than 1,100, with production workers represented by the United Auto Workers, International Association of Machinists, International Molders and Allied Workers Union, and Pattern Makers League of North America.

The Hospital Division spends about five per cent of each sales dollar on research & development, not including product modification, production or application engineering. During 1967, 29 employees in R&D and engineering held one or more degrees in their professions. Among these were four Doctorates and five Master's degrees. Disciplines involved include biology, chemistry, bacteriology, mechanical engineering and electrical engineering.

Among the major strengths of the Hospital Division is its marketing organization: more than 100 direct field sales and managerial personnel throughout the United States. These company representatives operate from 19 branch offices located in major cities.

The AMSCO Hospital Division also has a manufacturing facility in Jamestown, New York, that produces casework and a variety of special-service nursing units for all hospital departments. It also makes products designed for and marketed by other operating units of



the Company. The facility consists of a 158,000-square-foot building on a 19.7-acre tract and is owned by American Sterilizer. Employees during 1967 totaled approximately 230, with production workers represented by the International Association of Machinists and American Federation of Technical Engineers.

AMSCO SYSTEMS COMPANY

Hospital costs continue to rise. The one sure way to stem the tide — while also improving patient care and offsetting mounting shortages of trained personnel — is through automation of patient-support services. Automated materiel processing and distribution systems offered by AMSCO Systems Company are a proved means of helping to solve a problem that has become of national concern.

The division was formed in July, 1967, as a self-contained unit staffed with administrative, marketing, planning, research, engineering and application specialists familiar with all phases of hospital operation. In December, it officially opened a 16,000-square-foot leased facility on West 21st Street in Erie that houses administrative and engineering offices, planning rooms and test laboratories. The building also includes a fully equipped and working processing and distribution system for demonstration purposes.

The division offers automated materiel processing, materiel distribution, water processing and dietary distribution systems for hospitals, as well as automated scullery systems for hospitals and other institutions. They are sold through direct systems engineers in the United States, as well as through American Sterilizer Company of Canada, Ltd.

The systems have a high engineering content. Electronically-guided, battery-operated cars for distribution, automatic washer-sterilizers and sterilizers, conveyors and turntables are typical components.

AMSCO Systems purchases about 25 per cent

of a typical system's components from other divisions of the Company, with the balance from outside suppliers. It provides added values by relating the various component parts to each other, through feasibility studies and logistical planning.

Approximately 10 per cent of sales are being spent on research and engineering. At year-end, 16 out of its 53-person staff were engaged in these areas.

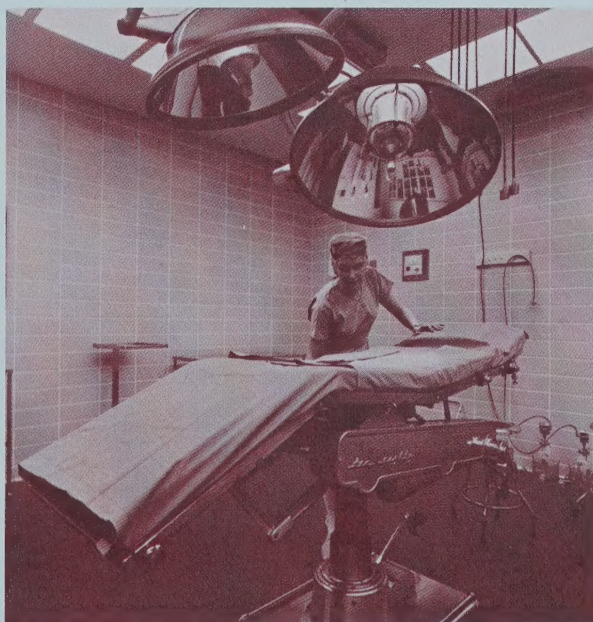
Although in its infancy, AMSCO Systems Company already has on its books more than \$5 million in orders for systems and contracts for feasibility studies. Sizable gains are forecast for 1968 and the years to come.

AMSCO INDUSTRIAL COMPANY

American Sterilizer for many years has enjoyed sizable business from research laboratories, educational institutions, industrial processors, pharmaceutical companies, government biological units, and other markets not directly related to human-patient care.

The AMSCO Industrial Company was formed in September, 1967, to specialize in technical equipment and systems specifically designed to research and industrial requirements.

AMSCO industrial products, which accounted for more than 10 per cent of total 1967 sales, are broad and varied. Sterilizers range from small laboratory units to huge industrial vessels with capacities of 1,000 cubic feet. Water processing equipment — both stills and deionizers — is available for any requirement, in research and large process operations. An extensive line of animal care equipment has also been developed; it includes cage washing machines, operating and autopsy tables, surgical lights and auxiliary equipment. Sales made in the short time since the line was introduced late in



Left to Right:

AMSCO MEDALLION Sterilizers are available in an extensive selection to meet every hospital requirement.

AMSCO Sonic Energy Cleaning Systems utilize high-frequency sound waves for thorough cleaning of instruments and other surgical articles.

AMSCO products for the surgical suite include surgical tables, surgical lights and overhead illumination.

1967 In Review (Continued)

1967 indicate the vast sales potential in research centers, breeding facilities and veterinary hospitals.

The AMSCO Industrial Company has already set plans in motion for a separate facility in Erie; it should be ready for occupancy by mid-1968. Initially, it will house administration, engineering and development.

Product development and engineering during 1967 accounted for about six per cent of industrial sales. Disciplines are basically mechanical, with engineering effort applied largely to machine design and thermodynamic problems. The technical staff includes a microbiologist to monitor contract sterilization activities and to provide consultation with customers in the areas of microbiology and bacteriology.

AMSCO Industrial's staff will grow to approximately 60 during 1968, according to present projections. The group already includes 16 direct sales engineers located throughout the United States.

CHAMPION DISH WASHING MACHINE COMPANY

Champion has long been an important supplier of commercial washing systems. In the short time that it has operated as a wholly-owned subsidiary of American Sterilizer (since April, 1967), it has also established itself as a manufacturer of special equipment marketed through other American Sterilizer operating units.

Champion produces spray-type washing machines for use in commercial, institutional and industrial food and beverage service establishments. It makes automatic car washing systems. And it supplies such industries as pharmaceuti-

cal processing and utensil manufacturing. These markets are served through 17 field sales offices in the United States and licensed manufacturing and distribution units outside the States. Champion also manufactures such products as laboratory glassware washers, animal cage washers, rack washers and other equipment marketed through the AMSCO Hospital Division, AMSCO Systems Company, AMSCO Industrial Company, and subsidiaries serving foreign markets.

Champion is headquartered in Winston-Salem. An addition to be completed in 1968 will bring its total space for offices and manufacturing to 53,100 square feet. The plant is located on a 4.3 acre site.

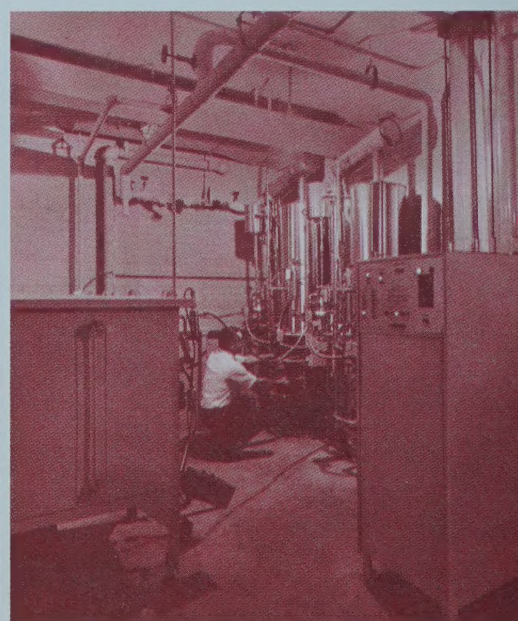
Champion applied approximately five per cent of sales to new product development during 1967. It had 125 employees during the year, with production workers represented by the International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America. Champion sales over the five-year period from 1963 have shown a 30 per cent increase. With the potential in traditional markets and the increased opportunities created through association with American Sterilizer, it should enjoy an accelerated growth pattern in the future.

G. K. TURNER ASSOCIATES

G. K. Turner Associates, which began operation as a wholly-owned subsidiary in March, 1967, designs and makes fluorometers, electrophoresis equipment, spectrofluorometers, interface detectors and related types of instrumentation based primarily on the science of fluorometry — the measurement and use of fluorescence.

Fluorometry has major advantages as an analytical method: It is basically simple and makes measurements rapidly. It is highly specific, and it is about 1,000 times more sensitive than other spectrophotometric techniques.

Turner instrumentation, therefore, has present or potential value in most laboratories per-



forming quantitative analyses. In clinical laboratories, 9 out of 12 of the most frequently performed chemical analyses can be done fluorometrically with positive benefits. Turner equipment is becoming a routine tool used in clinical pathology, biochemistry, metallurgy, water analysis and other disciplines. Clinical laboratories, medical schools and university research laboratories are important customer groups. Turner instrumentation is also used in both air and water pollution studies, and its interface detectors — the only ones available based on the use of fluorescent tracers — are finding marked acceptance in the pipeline segment of the petroleum industry.

The subsidiary is based in Palo Alto, California, and conducts operations in a leased facility with 10,000 square feet of space.

Research, development and engineering, including applications engineering, amounted to approximately 12 per cent of 1967 sales. Almost one-third of the 36-person staff worked in these areas; they included four engineers and four chemists, one of whom is a Ph.D. Sciences involved are electrical-electronic engineering, mechanical engineering and optics for product development, and biochemistry and organic chemistry for R&D.

Products are assembled mainly from purchased components by skilled electro-mechanical assemblers under strict quality control. They are then subjected to testing by electronic technicians.

Turner has six salesmen—all graduate chemists—and its products are marketed through a network of scientific equipment distributors in the United States and abroad.

Turner has shown a sharp upward sales trend since 1962. Fluorometry is a relatively new technique, and applications for it continue to grow at an increasing rate. Because of its comprehensive program of new product develop-

ment and customer assistance, Turner should maintain or exceed its impressive growth pattern for some years to come.

WASCON SYSTEMS, INC.

Nearly every type of establishment that generates pulpal waste is a potential user of Wascon waste control equipment. The Wascon system reduces paper, corrugated cartons, food wastes, disposable instruments, flasks, bottles and many other types of materials into a pulp which, by volume, is only 20 per cent of the original. The pulp is then automatically deposited in containers for easy removal.

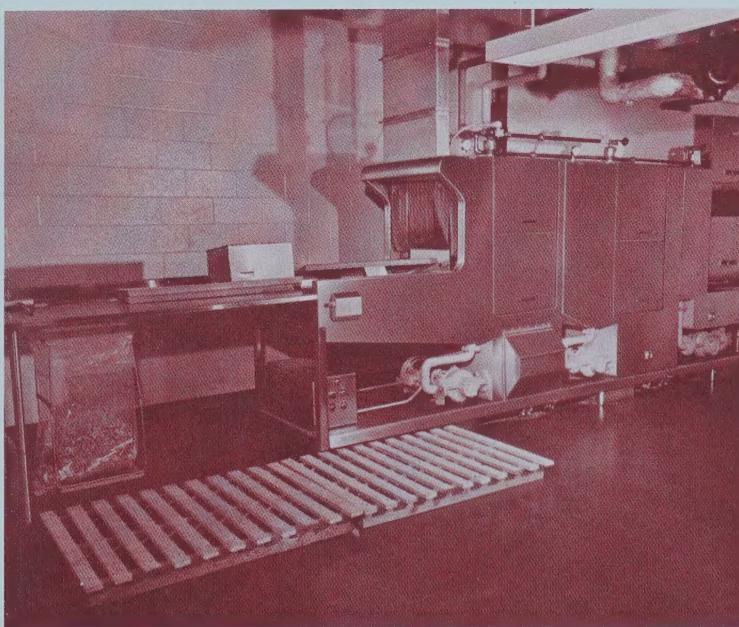
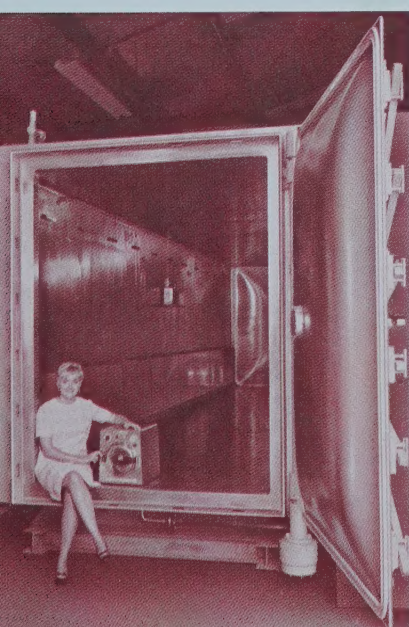
A unique aspect of the Wascon principle is that it disposes of waste without creating pollution — either of water or air. Wascon systems can, therefore, be used where anti-pollution laws forbid incineration.

Wascon equipment is now at work in commercial and institutional kitchens for processing food wastes... in factories and large office buildings for disposing of paper and other non-metallic wastes... in financial institutions and government agencies for document destruction... aboard Navy ships to convert various types of wastes.

The main office and manufacturing plant are in Hatboro, Pennsylvania. The leased facility is located on a two-acre site and consists of 3,000 square feet for offices and 17,000 square feet for manufacturing. Total employment during 1967 was 75.

In 1967, Wascon spent about five per cent of its sales revenue on research & development. A test stand installed during the year enables the company to check the performance of proposed designs with various types of wastes.

The services of independent consultants in waste control are also used.



Left to Right:

AMSCO Automated Materiel Processing Systems offer advanced methods for reducing hospital costs while improving patient care.

AMSCO Water Processing Equipment, including both stills and deionizers, produces high-purity water for laboratory, hospital and industrial use.

AMSCO Sterilizers for research and industry range from small laboratory units to huge vessels that can sterilize production lots of medical, surgical, pharmaceutical and food products.

Champion Tunnel Washers automate the washing of animal cages, are only one of a complete new line of animal care equipment.

1967 In Review (Continued)

The subsidiary sells direct through four salesmen and more than 20 distributors to most commercial, institutional and industrial markets. Sales to hospitals and other life science centers are through the AMSCO Hospital Division and AMSCO Systems Company, while overseas sales are through AMSCO International.

Wascon sales in 1967 were double first year sales. It enjoys virtually unlimited potential in fields it serves directly, and it is already benefiting from the marketing strengths afforded by other American Sterilizer groups.

AMSCO SERVICE COMPANY

The AMSCO Service Company, whose formation was announced in July, 1967, was established to give the best possible assurance to customers in all fields that equipment and systems offered by American Sterilizer will continue to operate at maximum efficiency.

This division coordinates the activities of a network of field service personnel — all direct AMSCO employees — that includes 18 branch service managers and more than 150 service men throughout the United States. This service force is active in fulfilling formal Preventive Maintenance Agreements whereby AMSCO equipment is inspected and serviced on a regularly programmed quarterly basis. Typical products serviced are sterilizers, surgical lights, surgical tables and water processing equipment, as well as such newer lines as waste control equipment and dish washing machinery.

AMSCO Service is headquartered at the main Erie plant and presently occupies 12,100 square feet of space devoted to offices, factory service department and parts warehouse. A Service Engineering Department performs design functions as required in modernizing and modifying field installations.

During 1967, more than 4,700 hospitals and other users had Preventive Maintenance Agree-

ments with AMSCO. Such contracts and related service activities accounted for more than ten per cent of American Sterilizer's total business. With the additional opportunities afforded by broader markets and product lines, AMSCO Service Company should show appreciable growth in the future.

AMSCO INTERNATIONAL COMPANY

AMSCO International was established as an autonomous unit in the Fall of 1967 with responsibility for the overseas distribution and licensing of American Sterilizer products.

Through its headquarters office in Erie and branches in New York City, Miami, Brussels, San Juan and Singapore, AMSCO International directs the activities of 67 distributors throughout the Free World. It also coordinates the manufacture of American Sterilizer products by six licensees, in Australia, Brazil, Colombia, England, France and New Zealand.

AMSCO International works closely with other operating units of American Sterilizer to make sure the products it handles are compatible with overseas requirements. It carries on a continuing program of distributor education, through regular visits to distributors plus training programs and symposiums for distributors at the Erie plant. Such programs cover service as well as sales, since distributors are under contract to warrant and service the equipment they sell. As assurance to licensees of the most advanced equipment designs, the company invests almost all royalties in research & development.

Overseas sales increased during 1967. The structuring of international activities into an autonomous unit, the expansion of product lines to include Champion and Wascon, the almost unlimited opportunities for growth in hospital fields and elsewhere, and the freedom to engage in profitable license agreements, joint ventures and product line expansions — all these reasons justify projections of a marked increase in international business during 1968.



AMERICAN STERILIZER COMPANY OF CANADA, LTD.

AMSCO of Canada serves markets that closely parallel those in the States: hospitals and related institutions, research, industry, education and governments. Its product lines are also comparable with those marketed in the U.S. They include sterilizers, surgical tables and lights, washing and sanitizing equipment, water processing equipment, special service units, waste control equipment and the like.

This subsidiary is headquartered in Brampton, Ontario, and also has offices in Montreal. The Brampton facility has 43,000 square feet of space for offices and manufacturing and produces almost all the sterilizers it sells. It also assembles components purchased from other American Sterilizer operations into complete products.

AMSCO of Canada employed 102 people in 1967. In addition to direct sales, products are sold through a distributor organization. Assurance of trouble-free operation is provided by Preventive Maintenance Agreements offered to customers.

Since the subsidiary benefits directly from research & development programs of operating units in the States, its design activities are confined primarily to product modifications and production engineering.

Sales during 1967 showed an increase over 1966. Because of the growth potential in hospitals, public health and other major areas of the economy, and because it offers dependable products sold through an experienced sales force and maintained by skilled servicemen, AMSCO of Canada should continue to grow in 1968.

AMSCO DE MEXICO, S.A.

Sales during 1967 by AMSCO de Mexico consisted mainly of equipment for government-owned or operated hospitals and clinics.

This wholly-owned subsidiary has administrative offices and manufacturing plant in Ciudad Naucalpan, a suburb of Mexico City. Approximately 14,500 square feet of the 17,000-square-foot leased facility is devoted to production.

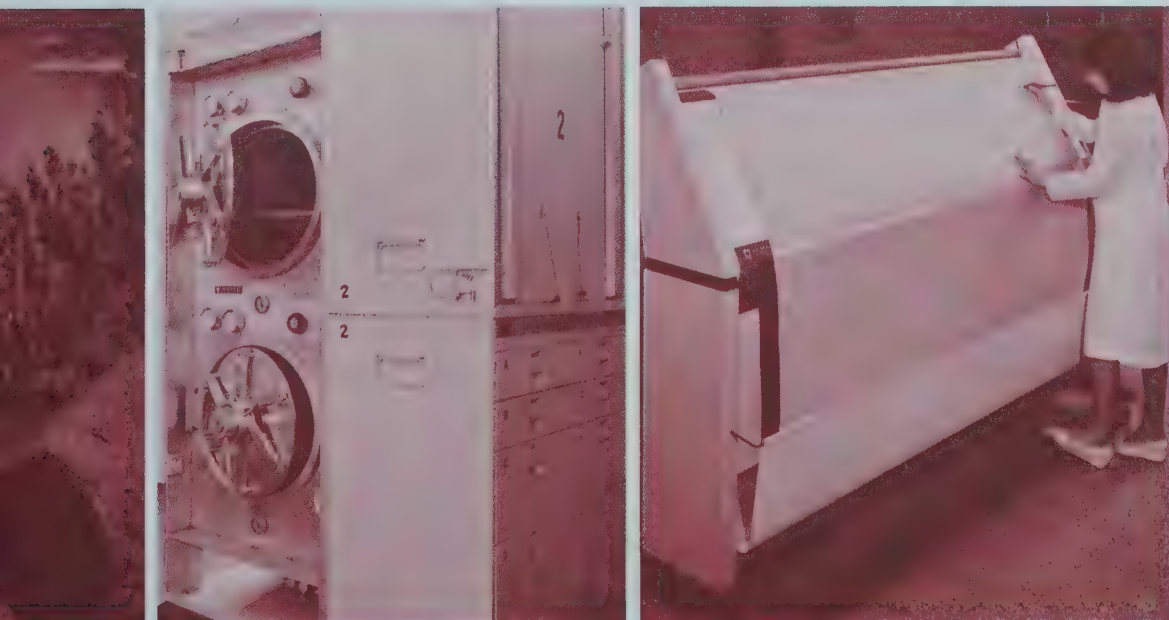
Management is made up of Mexican nationals and total employment during 1967 was 102. The 87 factory workers employed belong to the central union, C.T.M.

The plant manufactures approximately 70 per cent of the products sold, with the balance supplied by American Sterilizer operating units in the States. The engineering department, which includes two graduate engineers, converts technical material supplied into Spanish.

Among the 18 different kinds of products manufactured are sterilizers, surgical lights, surgical tables, bed pan washers and sanitizers, bottle warmers, incubators, laboratory and industrial pressure vessels, water processing equipment and electric steam generators.

Products are marketed through the subsidiary's own sales force and, on the West Coast of Mexico, by a hospital equipment dealer. To assure proper operation and upkeep, AMSCO de Mexico offers Preventive Maintenance Agreements to customers.

Sales in 1967 were about 30 per cent higher than in 1966. Although the growth of hospital sales will largely be in proportion to government programs, the addition of dishwashing machines and waste control equipment provides broadened opportunities in such markets as hotels, restaurants and other privately financed enterprises. Additional potential will also be afforded by the growth of the Latin American Free Trade Association Market.



Left to Right:

Wascon Waste Control Systems convert most types of waste into a harmless pulp.

Turner Analytical Instrumentation not only finds wide application in the laboratory; it is also useful in water pollution studies.

AMSCO Portaclave Sterilizers, as part of the MUST system, bring the highest safety standards to the battlefield.

Mechanized Linen Inspector is only one of many new products developed to help customers reduce costs.

American Sterilizer Consolidated

December 31, 1967 . . .

Assets

	December 31, 1967	January 1, 1967
Current Assets		
Cash	\$ 1,113,797	\$ 841,900
Short-term securities, at cost (approximates market)	1,502,477	1,552,101
Notes and accounts receivable, less allowance for doubtful accounts of \$232,528 and \$162,932	10,914,142	10,263,573
Inventories, at the lower of (first-in, first-out) cost or market		
Finished goods	3,014,956	3,101,274
Work-in-process	7,010,171	6,662,056
Raw materials	3,182,325	2,925,242
Total Inventories	<u>\$13,207,452</u>	<u>\$12,688,572</u>
Prepaid expenses	379,054	271,312
Total current assets	<u>\$27,116,922</u>	<u>\$25,617,458</u>
 Property, Plant and Equipment (at cost)		
Land	\$ 102,363	\$ 102,363
Buildings	4,346,948	4,042,824
Machinery and Equipment	6,546,910	5,950,770
Total	<u>\$10,996,221</u>	<u>\$10,095,957</u>
Less accumulated depreciation	4,788,825	4,308,977
Property, plant and equipment (net)	<u>\$ 6,207,396</u>	<u>\$ 5,786,980</u>
 Other Assets		
Noncurrent receivables and other investments (at cost), less allowance for doubtful receivables of \$106,908 and \$129,088	\$ 223,917	\$ 301,789
Other	384,188	298,526
	<u>\$33,932,423</u>	<u>\$32,004,753</u>

The accompanying notes are an integral part of this statement.

Company & Subsidiaries

Balance Sheet

and January 1, 1967

Liabilities and Shareholders' Investment

Current Liabilities	December 31, 1967	January 1, 1967
Notes payable	\$ 200,501	\$ 194,929
Current portion of long-term indebtedness (Note 2) . .	364,966	406,273
Accounts payable	2,283,876	1,864,332
Accrued liabilities	1,010,004	956,974
Accrued taxes	1,163,969	1,275,398
Total current liabilities	<u>\$ 5,023,316</u>	<u>\$ 4,697,906</u>

Other Liabilities

Long-term indebtedness (Note 2)	\$ 3,175,212	\$ 3,423,211
Other noncurrent liabilities	77,892	133,210
Total other liabilities	<u>\$ 3,253,104</u>	<u>\$ 3,556,421</u>

Shareholders' Investment

Common stock, par value \$3.33⅓		
Authorized 1,950,000 shares; outstanding		
(after deducting 285 shares in treasury),		
1,450,656 shares in 1967 and		
1,432,772 shares in 1966 (Note 5)	\$ 4,835,520	\$ 4,775,907
Capital in excess of par value of common stock . . .	6,439,725	6,192,237
Retained earnings (Note 2)	14,380,758	12,782,282
Total shareholders' investment	<u>\$25,656,003</u>	<u>\$23,750,426</u>
	<u>\$33,932,423</u>	<u>\$32,004,753</u>

Consolidated Statement of Income and Retained Earnings

For the fiscal years ended December 31, 1967 and January 1, 1967

	1967	1966
Net Sales	\$42,652,220	\$38,291,367
Costs and Expenses		
Material, wages and other production costs	\$23,845,063	\$20,348,145
Marketing, administration and general, research and development expenses	12,727,467	12,352,856
Depreciation expense	745,813	673,016
Interest expense	207,394	210,138
Other (income) deductions (net)	(366,729)	(256,655)
Total	\$37,159,008	\$33,327,500
Income Before Income Taxes	\$ 5,493,212	\$ 4,963,867
Provision for income taxes	2,760,778	2,427,605
Income Before Extraordinary Items	\$ 2,732,434	\$ 2,536,262
Extraordinary Items, Net of Taxes		142,000
Net Income	\$ 2,732,434	\$ 2,678,262
Retained Earnings at January 2, 1966, as previously reported		\$10,625,284
Retained earnings of pooled companies (Note 1)		485,158
Retained Earnings at January 1, 1967 and January 2, 1966, as restated	12,782,282	\$11,110,442
Cash Dividends Paid	1,133,958	1,006,422
Retained Earnings at December 31, 1967 and January 1, 1967 (Note 2)	\$14,380,758	\$12,782,282
Per Share of Common Stock		
Income before extraordinary items	\$ 1.90	\$ 1.78
Extraordinary items, net of taxes10
Net Income	\$ 1.90	\$ 1.88

The accompanying notes are an integral part of this statement.

Consolidated Statement of Source and Application of Funds

For the fiscal year ended December 31, 1967

SOURCE OF FUNDS

Net Income	\$2,732,434
Add:	
Charges against and credits to, income not involving funds (depreciation, amortization, gains on sale of assets, etc.)	721,535
Funds provided from operations	\$3,453,969
Sale of common stock under options	307,101
Reduction in noncurrent receivables	77,872
Total funds provided	<u>\$3,838,942</u>

APPLICATION OF FUNDS

Cash dividends paid	\$1,133,958
Expenditures for plant and equipment, net	1,115,022
Reduction in long-term indebtedness	247,999
Increase in other assets	112,591
Reduction in other noncurrent liabilities	55,318
Total funds applied	<u>\$2,664,888</u>

INCREASE IN WORKING CAPITAL \$1,174,054

The accompanying notes are an integral part of this statement.

Consolidated Statement of Capital in Excess of Par Value of Common Stock

For the fiscal years ended December 31, 1967 and January 1, 1967

Balance, January 2, 1966, as previously reported		\$5,828,214
Excess of par value of capital stock and paid-in capital of pooled companies over par value of common stock issued (Note 1)		<u>240,000</u>
BALANCE, JANUARY 1, 1967 and JANUARY 2, 1966, as restated	\$6,192,237	\$6,068,214
Add — Excess over par value of proceeds from the exercise of stock options	247,488	<u>124,023</u>
BALANCE, DECEMBER 31, 1967 and JANUARY 1, 1967	<u>\$6,439,725</u>	<u>\$6,192,237</u>

The accompanying notes are an integral part of this statement.

Notes to Consolidated Financial Statements

At December 31, 1967

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and all of its subsidiaries.

In March, 1967, the Company issued 44,000 shares of its common stock in exchange for all of the outstanding stock of G. K. Turner Associates.

In April, 1967, the Company issued 55,550 shares of its common stock in exchange for all of the outstanding stock of Champion Dish Washing Machine Company.

These transactions have been accounted for as a pooling of interests. Accordingly the financial statements for the year ended December 31, 1967, include the accounts of these subsidiaries for the entire year and the financial statements for the year ended January 1, 1967, have been restated to include the accounts of these subsidiaries. Those financial statements for the

year ended January 1, 1967, before such restatements, had been examined by public accountants other than Arthur Andersen & Co. The opinion of such other accountants, however, does not cover the restated financial statements.

2. LONG-TERM INDEBTEDNESS

Long-term indebtedness consists of the following:

4 $\frac{7}{8}$ % notes, due August 1, 1977, with annual prepayments of \$300,000 . . .	\$ 2,900,000
6% First mortgage, payable in monthly installments through 1977	254,625
Term loan agreement, payable in quarterly installments to November, 1974	175,000
7% First mortgage, due November, 1980, payable in monthly installments . .	116,591
Other	93,962
	<u>\$ 3,540,178</u>
Less: Current portion . . .	364,966
	<u><u>\$ 3,175,212</u></u>

Auditors' Report

To the Board of Directors and Shareholders American Sterilizer Company

We have examined the consolidated balance sheet of AMERICAN STERILIZER COMPANY (a Pennsylvania corporation) and subsidiaries as of December 31, 1967 and the related consolidated statements of income and retained earnings, capital in excess of par value of common stock and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of income and retained earnings, capital in excess of par value of common stock and source and application of funds present fairly the financial position of American Sterilizer Company and subsidiaries as of December 31, 1967, and the results of their operations and source and application of funds for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Pittsburgh, Pennsylvania
February 13, 1968

ARTHUR ANDERSEN & Co.

Certain loan agreements provide, among other things, for restrictions upon maintaining working capital, incurring additional indebtedness, the creation of encumbrances, the disposition of stock of any subsidiary, the sale of a substantial amount of its properties and the payment of dividends. Under these agreements \$6,498,000 of consolidated retained earnings is not available for payment of dividends.

3. PENSION PLANS

The Company and certain of its subsidiaries have pension plans covering substantially all of their employees. The total pension expense was \$637,361 in 1967 and \$579,261 in 1966, which includes amortization of prior service cost over periods ranging from 10 to 30 years. Unfunded prior service cost under the plan approximates \$2,282,000. The company's policy is to fund pension cost accrued. The actuarially computed value of vested benefits for certain plans as of December 31, 1967, exceeded the total of the pension fund and balance sheet accruals by approximately \$638,000.

4. CONTINGENT LIABILITIES

The Internal Revenue Service has proposed adjustments to the parent company's income tax returns for the years 1962, 1963 and 1964. A significant issue relates to the nature of the investment in the European subsidiaries and the subsequent tax-losses incurred upon liquidation. In the opinion of counsel and management the amounts provided for accrued taxes are considered adequate.

5. COMMON STOCK

At December 31, 1967, there were 30,150 shares of the Company's common stock reserved under its Qualified Stock Option Plan. Options covering 11,150 shares are outstanding at year end. During the year 4,850 shares were exercised.

Options covering 13,034 shares under the Restricted Stock Option Plan were also exercised during the year and the Company's obligation under this plan was completed and the plan terminated.

There are 44,000 shares of common stock reserved in connection with the Reorganization Agreement with G. K. Turner Associates, which may become issuable based on future earnings.



Left to Right:
Vice Presidents
B. J. Walker
Henry E. Fish
Frank DeFazio
Edwin R. Bindseil
Frank Plasha

AMERICAN STERILIZER COMPANY AND SUBSIDIARIES

Ten-Year Comparison

DOLLAR AMOUNTS IN THOUSANDS PER SHARE AMOUNTS IN DOLLARS	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958
OPERATING DATA										
Net Sales	\$42,652	\$38,291	\$34,547	\$35,403	\$32,992	\$31,721	\$27,322	\$25,627	\$23,047	\$19,410
Depreciation	746	673	605	643	638	639	572	503	538	511
Interest Expense	207	210	220	297	285	239	100	113	79	56
Income before Taxes	5,493	4,964	4,248	2,836	3,894	3,019	2,470	2,708	2,920	2,405
Income Taxes	2,761	2,428	2,112	1,573	2,046	1,999	1,533	1,516	1,616	1,251
Income before Extraordinary Items	2,732	2,536	2,136	1,263	1,847	1,020	937	1,192	1,304	1,154
Extraordinary Items, Net of Taxes	—	142	—	262	—	306	—	—	—	—
Net Income	2,732	2,678	2,136	1,525	1,847	1,326	937	1,192	1,304	1,154
Number of Employees	2,154	2,074	1,861	1,812	2,035	1,896	1,530	1,452	1,482	1,462
BALANCE SHEET DATA										
Working Capital	22,094	20,920	19,230	19,263	18,540	17,212	13,877	13,045	8,155	7,426
Net Plant & Equipment	6,207	5,787	5,215	5,207	5,782	5,862	6,189	4,040	3,565	3,321
Long Term Debt	3,175	3,423	3,675	4,439	5,309	5,440	3,066	885	850	994
Shareholders' Investment	25,656	23,750	21,911	20,418	19,517	18,185	17,307	16,586	11,392	10,373
Return on Shareholders' Investment	10.6%	11.3%	9.7%	7.5%	9.5%	7.3%	5.4%	7.2%	11.4%	11.1%
COMMON STOCK DATA										
Net Income per Share (1)	1.90	1.88	1.52	1.09	1.34	.97	.69	.98	1.16	1.03
Cash Dividends per Share80	.75	.63	.60	.51	.42	.40	.37	.33	.25
Book Value per Share	17.69	16.58	15.46	14.58	14.06	13.21	12.62	12.31	10.11	9.26
Shares Outstanding (weighted average)	1,439,157	1,425,731	1,409,776	1,394,517	1,382,337	1,373,390	1,360,626	1,221,519	1,123,418	1,116,676
Shares Outstanding (end of the year)	1,450,656	1,432,772	1,417,431	1,400,362	1,387,824	1,376,435	1,371,873	1,347,630	1,126,939	1,120,610
Number of Shareholders	3,333	3,861	3,635	3,311	3,261	3,289	3,300	2,325	528	380

(1) Includes extraordinary items amounting to \$.10 in 1966, \$.19 in 1964 & \$.22 in 1962.
Weighted average shares used.

All years have been restated for "pooling" of interests

Left to Right:
James A. Nally
Henry Aarnio
Henry E. Fish
Donald J. Beecher



Left to Right:
Edward A. Scott
Donald C. Schaper
John G. Hainsworth
S. Gordon Apgar
B. J. Walker
Rául Gómez-Trejo



Directors and Management

BOARD OF DIRECTORS

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Affiliated Hospital Center
Boston, Massachusetts

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Chairman
Lyons Transportation Lines, Inc.
Erie, Pennsylvania

FRANK DeFAZIO
Senior Vice President

JOHN H. DeVITT
President
Hammermill Paper Company
Erie, Pennsylvania

HENRY E. FISH
Senior Vice President

HOWARD M. FISH
Chairman of the Board

R. L. JEWELL
Vice President, Retired

HENRY A. MacDONALD
Partner
MacDonald, Illig, Jones
and Britton
Attorneys
Erie, Pennsylvania

V. F. LECHNER
President

EDWARD V. MILHOLLAND, JR.
Vice President
Halsey, Stuart & Co., Inc.
New York, New York

B. J. WALKER
Senior Vice President

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HOWARD M. FISH
Chairman of the Board

V. F. LECHNER
President

FRANK DeFAZIO
Senior Vice President,
Secretary and Treasurer

HENRY E. FISH
Senior Vice President,
Operations

B. J. WALKER
Senior Vice President,
Operations

EDWIN R. BINDSEIL
Vice President,
Corporate Development

DARRELL L. GIFFORD
Vice President

J. J. PERKINS
Vice President,
Senior Scientist

FRANK PLASHA
Vice President,
Employee and Public Relations

ROGER A. GEIER
Controller

H. R. LYMAN
Assistant Secretary
and Assistant Treasurer

R. P. MARTIN
Assistant Treasurer

R. B. YEAGER
Assistant Secretary

DIVISION AND SUBSIDIARY MANAGEMENT

HENRY AARNIO
General Manager
AMSCO Service Company

S. GORDON APGAR
President
Champion Dish Washing Machine Company

DONALD J. BEECHER
General Manager
AMSCO Industrial Company

WILLIAM H. COMBS
President
Wascon Systems, Inc.

HENRY E. FISH
General Manager
AMSCO Hospital Division

RAÚL GÓMEZ-TREJO
General Manager
AMSCO de Mexico, S.A.

JOHN G. HAINSWORTH
President
G. K. Turner Associates

JAMES A. NALLY
General Manager
AMSCO Systems Company

DONALD C. SCHAPER
General Manager
AMSCO International Company

EDWARD A. SCOTT
Vice President and General Manager
American Sterilizer Company
of Canada, Ltd.



American Sterilizer Company

DIVISIONS AND SUBSIDIARIES

AMSCO HOSPITAL DIVISION
Erie, Pennsylvania — Jamestown, New York

AMSCO INDUSTRIAL COMPANY
Erie, Pennsylvania

AMSCO INTERNATIONAL COMPANY
Erie, Pennsylvania

AMSCO SERVICE COMPANY
Erie, Pennsylvania

AMSCO SYSTEMS COMPANY
Erie, Pennsylvania

AMERICAN STERILIZER COMPANY
OF CANADA, LTD.
Brampton, Ontario

AMSCO DE MEXICO, S.A.
Naucalpan de Juarez, Mexico

CHAMPION DISH WASHING
MACHINE COMPANY
Winston-Salem, North Carolina

G. K. TURNER ASSOCIATES
Palo Alto, California

WASCON SYSTEMS, INC.
Hatboro, Pennsylvania

Left to Right:

Turner Spectrofluorometer
performs analyses at university
medical school.

AMSCO Vapor Compression
Still produces water of the
highest purity.

AMSCAR moves materials to
any point in the hospital
without need for human
control.

SATELIGHT "pipes" light
from overhead
lighting source directly into
the deep cavity operative
site.

AMSCO's newest line of
sterilizers — another
example of designing to
meet customer needs.

